

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-01 PRS-01 /080 W
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R 272048Z JUL 76

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 6515

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PASS EXIM BANK

E.O. 11652: N/A

TAGS: EFIN, AR

SUBJECT: MARTINEZ DE HOZ RETURNS FROM TRIP TO EUROPE

1. ECONOMY MINISTER MARTINEZ DE HOZ RETURNED TO BUENOS AIRES JULY 25 AFTER A 12 DAY VISIT TO EIGHT EUROPEAN COUNTRIES (SWITZERLAND, WEST GERMANY, HOLLAND, UNITED KINGDOM, ITALY, SPAIN, BELGIUM AND FRANCE). UPON HIS RETURN, HE ANNOUNCED TO THE MEDIA THAT HIS TOUR HAD EXCEEDED ALL EXPECTATIONS AND THAT HE HAD MANAGED TO OBTAIN THE NECESSARY FINANCIAL COMMITMENTS TO MEET THE \$1 BILLION IN REPAYMENTS DUE DURING THE NEXT SIX MONTHS AND TO STRETCH OUT THE REPAYMENT OF THE NEW CREDITS OVER THE NEXT FOUR YEARS. THE PRESS HEADLINED MARTINEZ DE HOZ' ACHIEVEMENT IN SOLVING ARGENTINIAN'S SHORT-TERM EXTERNAL CREDIT PROBLEM AND SAID IT WOULD OPEN "THE DOORS FOR INTERNATIONAL FINANCIAL INVESTMENT FOR PUBLIC AND PRIVATE DEVELOPMENT PROJECTS TO REACTIVATE THE ECONOMY."

2. THE PRESS REPORTS INDICATE THAT, WITH THE EARLIER COMMITMENTS OBTAINED IN THE U.S., MARTINEZ DE HOZ HAS NOW OBTAINED THE FOLLOWING FINANCING: IMF, \$300 M ZLIRZVEYMS.

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COMMERCIAL BANKS, \$500 MILLION; WEST GERMANY, \$75 MILLION

(GERMAN EMBASSY REPORTS AMOUNT COULD REACH \$90 MILLION);
BRITISH BANKS, \$50 MILLION;
ITALIAN BANKS, \$30 MILLION;
FRENCH BANKS, \$5 MILLION.

3. ACCORDING TO THE MEDIA, MARTINEZ DEHOZ STATED THAT MANY COUNTRIES WHICH HAD CUT OFF EXPORT CREDIT INSURANCE OR SEVERELY LIMITED THE AMOUNT OF INSURANCE MADE AVAILABLE ARE NOW RECONSIDERING ELIMINATING CREDIT INSURANCE RESTRICTIONS FOR ARGENTINA.

4. AT LUNCH TODAY (JULY 27) FOR ECONOMIC COUNSELORS ACCREDITED TO ARGENTINA (MOSTLY FROM EEC) ALL AGREED THAT MARTINEZ JA HOZ HAD NOT OBTAINED ANY FIRM COMMITMENTS OF FINANCING FROM THEIR COUNTRIES. ALL FINANCING OFFERS WERE AT LEAST CONTINGENT UPON INZ APPROVAL OF STANDBY AND GOA ACCEPTANCE OF IMF CONDITIONS. SOME FINANCIAL INSTITUTIONS WERE ADOPTING AN EVEN MORE CAUTIOUS POLICY WAITING TO SEE WHETHER THE GOA WOULD CARRY OUT THE MARTINEZ DE HOZ PROGRAM AND WHETHER, WEATHER PERMITTING, ARGENTINA'S WHEAT CROP THIS YEAR WOULD BE GOOD ENOUGH TO GENERATE A GENEROUS INCREASE IN EXPORT EARNINGS.

5. COMMENT: THE TOUR HAS STRENGTHENED MARTINEZ DE HOZ' POSITION AT HOME. THE SUCCESSES REPORTED BY THE PRESS HAVE ENHANCED HIS PRESTIGE AND LED MANY PEOPLE TO BELIEVE THAT THERE WILL BE TANGIBLE EVIDENCE OF ECONOMIC RECOVERY SOON. IN ADDITION, IT APPEARS CLEAR THAT, SINCE FOREIGN CREDITS TO DATE HAVE BEEN COMMITTED ON A CONTINGENT BASIS, THEIR AVAILABILITY WILL BE DEPENDENT UPON MARTINEZ DE HOZ' CONTINUITY IN OFFICE, SUCCESS WITH THE IMF AND CONTINUED IMPLEMENTATION OF HIS RECOVERY PROGRAM.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, PRESS COMMENTS, MINISTERIAL VISITS, FINANCIAL AGREEMENTS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BUENOS04920
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760289-1171
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760719/aaaaaqij.tel
Line Count: 95
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 12 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 JUL 2004 by ElyME>; APPROVED <28 OCT 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MARTINEZ DE HOZ RETURNS FROM TRIP TO EUROPE
TAGS: EFIN, EGEN, OVIP, AR, XG, (MARTINEZ DE HOZ, JOSE ALFREDO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006